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TO RUEHC/SECSTATE WASHDC IMMEDIATE 9327
INFO RUEHBJ/AMEMBASSY BEIJING IMMEDIATE 0002
RUEHBY/AMEMBASSY CANBERRA IMMEDIATE 2431
RUEHUL/AMEMBASSY SEOUL IMMEDIATE 6057
RUEHFK/AMCONSUL FUKUOKA IMMEDIATE 4266
RUEHNH/AMCONSUL NAHA IMMEDIATE 6672
RUEHOK/AMCONSUL OSAKA KOBE IMMEDIATE 7933
RUEHKSO/AMCONSUL SAPPORO IMMEDIATE 4944
RUEHIN/AIT TAIPEI IMMEDIATE 6752
RUEAIIA/CIA WASHDC IMMEDIATE
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC IMMEDIATE
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C O N F I D E N T I A L SECTION 01 OF 02 TOKYO 005138

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TAGS: PGOV PREL JA

SUBJECT: OZAWA WITHDRAWS RESIGNATION TO CRITICAL REACTION

REF: TOKYO 5114

Classified By: Ambassador J. Thomas Schieffer, reasons 1.4(b),(d).

¶1. (C) Summary. Ichiro Ozawa has withdrawn his resignation letter as leader of Japan's largest opposition party, bringing further uncertainty to an already unpredictable political situation. DPJ executives mounted a frantic campaign over the past several days to woo Ozawa back to the party, but not all DPJ members are happy about his return. The question now is whether Ozawa can hold his demoralized party together through the remainder of the Diet session. Longer term, the DPJ will need to regain the momentum it had after its victory in the July Upper House elections if it is to succeed in forcing early dissolution of the Lower House and make gains in a general election. End summary.

¶2. (C) Since Ichiro Ozawa announced his intention to resign as party leader on November 4 (reftel), Democratic Party of Japan (DPJ) executives, including Yukio Hatoyama and Naoto Kan, have been engaged in a frantic and highly-publicized attempt to convince him to remain in his post. They have also worked hard to convince party members to take him back. Ozawa held a late-afternoon press conference on November 7 to announce that he is acceding to the wishes of the party leadership and withdrawing his resignation as party leader. According to Hatoyama, Ozawa reportedly said that he would like to "give it one more shot."

Ozawa is Back, but Support is Mixed

¶3. (C) Ozawa's return will likely throw the opposition party into confusion and disarray, according to Embassy contacts. Even in the best of times, Ozawa has been a divisive figure for many DPJ members, who chafed at what they describe as his dictatorial style. He didn't win any new friends when he told the press on November 3 that his party does not have what it takes to win the next general election. One mid-level DPJ lawmaker told Embassy Tokyo that Ozawa is like an "emperor" who is demanding a public display of fealty from his subjects. Another DPJ representative was quoted in the press as saying it would be difficult for him to trust Ozawa again, now that "he had been deceived."

14. (C) Ozawa has also damaged relations with the National Confederation of Trade Unions ("Rengo"), an important support base for the DPJ and a major contributor to their July election win. If the party stands behind him now, according to one Embassy contact, it will only be because of the desire to hold onto the majority in the Upper House, and because he is still seen, by both the party and Rengo, as the best hope for electoral success. From a practical standpoint, this would be a bad time to redraft the party's manifesto, which is essentially Ozawa's policy platform, and try to remake plans for the next Lower House election, another media contact noted.

Possibility That a Weaker DPJ Will Emerge

15. (C) The big questions now are whether Ozawa can continue to lead the DPJ effectively, and if he has squandered the momentum gained from his party's lopsided victory in the July 29 Upper House elections. While the opposition still controls the Upper House, absent any sudden defections in the wake of recent events, a fractured and demoralized DPJ is bound to have a more difficult time using its majority to obstruct ruling coalition offensives, not to mention mounting their own. He will need solid support among the rank and file to steer the party through what is expected to be a tough battle over legislation to authorize the resumption of Self-Defense Forces (SDF) refueling efforts in support of Operation Enduring Freedom (OEF) in the coming weeks.

16. (C) A long list of initiatives intended for passage in the Upper House to demonstrate to the public that the DPJ can be

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a responsible governing party is also at risk as a result of the party's sudden shift to a defensive posture. For now, Embassy contacts say, Ozawa's strategy will be to use the opening created by the meetings with Prime Minister Fukuda to adopt a more consultative stance with the ruling coalition on policy issues.

Suspicions That Ozawa's Return is Only Temporary

17. (C) There is speculation among Embassy contacts that Ozawa is only deferring his departure from the DPJ. One DPJ lawmaker told Embassy Tokyo that Ozawa's goal in seeking a coalition with the ruling Liberal Democratic Party (LDP) was to get his party on the inside, show the public that it can govern and then, at a future date, campaign on these proven credentials and take control of the Diet. He still has this goal, but some believe that he will now seek to create a new party and merge it with the LDP. According to one contact's cynical interpretation of Ozawa's decision to return, he came back because he did not have enough defectors, particularly in the Upper House. The ruling coalition is 17 seats short of a majority in the Upper House, and one newspaper report notes that Ozawa could convince no more than 14 to bolt the DPJ and join him in a new party.

Latest Poll Reflects Damage to Public Opinion

18. (C) A Kyodo poll conducted on November 5-6 shows 56.4 percent of respondents opposed to the idea of an expanded coalition, with only 25.8 percent in favor. A similar percentage approved of the DPJ's decision to reject Ozawa's grand coalition proposal. Equally telling were responses to the question of which party should lead the government, with the LDP out-polling the DPJ 40.7 to 35.5 percent. Nearly every poll since the July 29 Upper House elections has given the edge to the DPJ. The support rate for the LDP was up 2.7 points, to 38.2 percent. Support for the DPJ was down 3.6 points, to 27.5 percent. Only 11 percent of respondents wanted to see elections held before the end of the year. Fukuda's Cabinet support rate in the Kyodo poll was

consistent with other recent surveys, down just a few points over last month, but still relatively solid at 47 percent.

SCHIEFFER